

Health Care Cost: Can We Address the Real Problems?

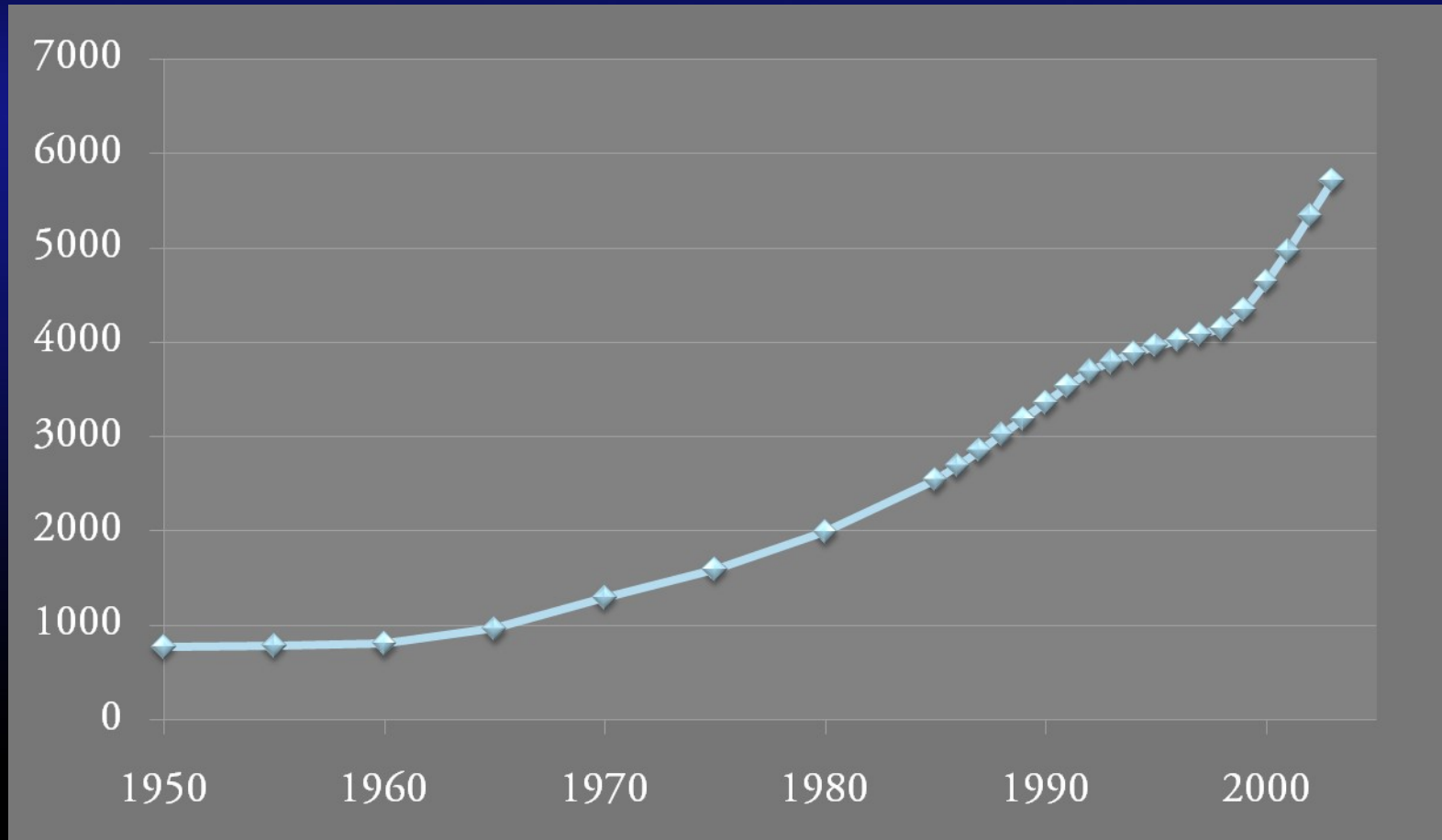
SPECIAL ARTICLE

The Value of Medical Spending
in the United States, 1960–2000

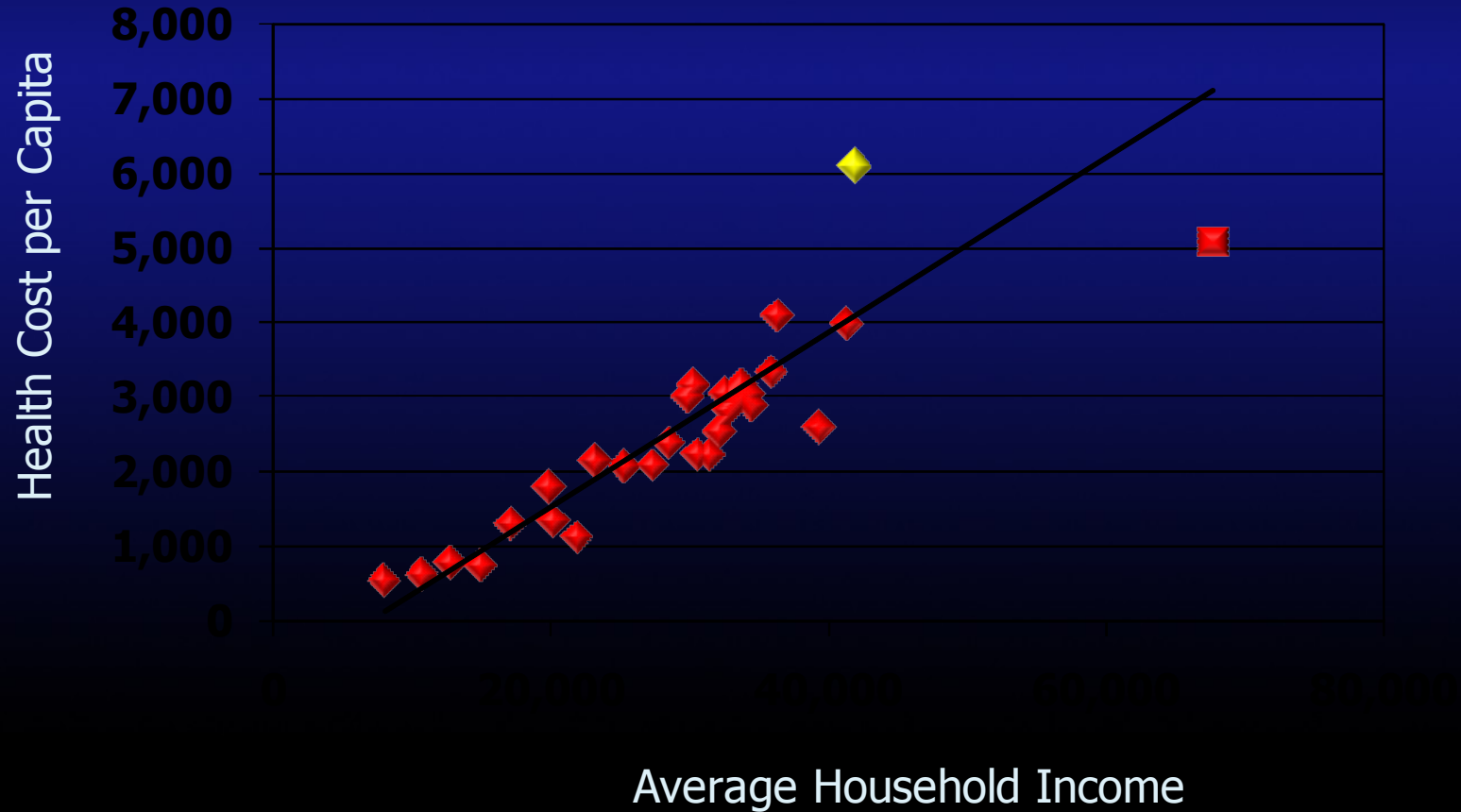
David M. Cutler, Ph.D., Allison B. Rosen, M.D., M.P.H., Sc.D.,
and Sandeep Vijan, M.D.

“From 1960 through 2000, the life expectancy for newborns increased by 6.97 years, lifetime medical spending adjusted for inflation increased by approximately \$69,000... The national focus on the rise in medical spending should be balanced by attention to the health benefits of this increased spending.”

Total Annual US Health Spending *Per Capita* in Constant (1998) Dollars



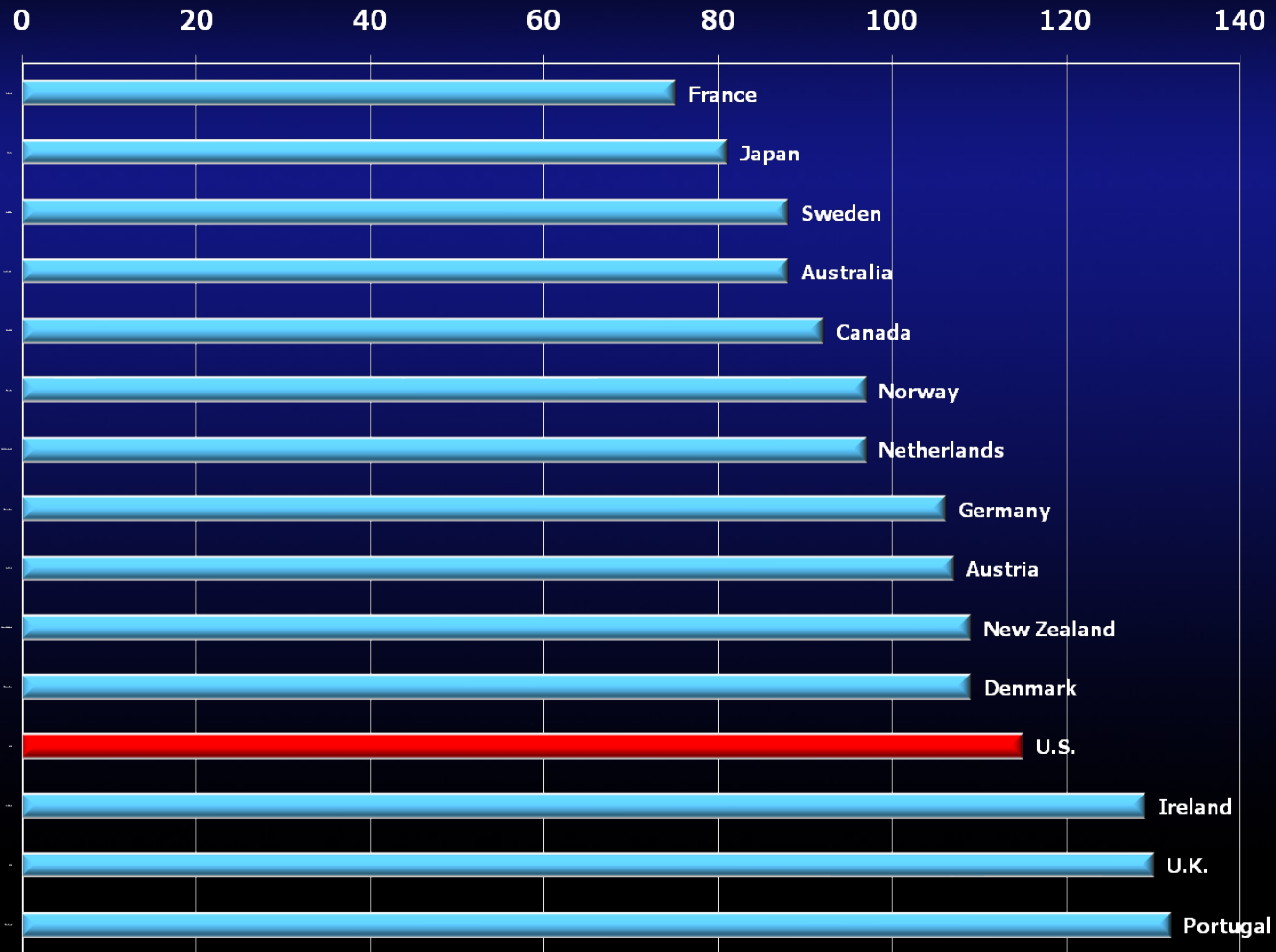
Healthcare Costs vs. National Wealth



Source: OECD Health Data, 2006
Kaiser Family Foundation, 2007

Mortality Amenable to Healthcare

Deaths per 100,000 Population



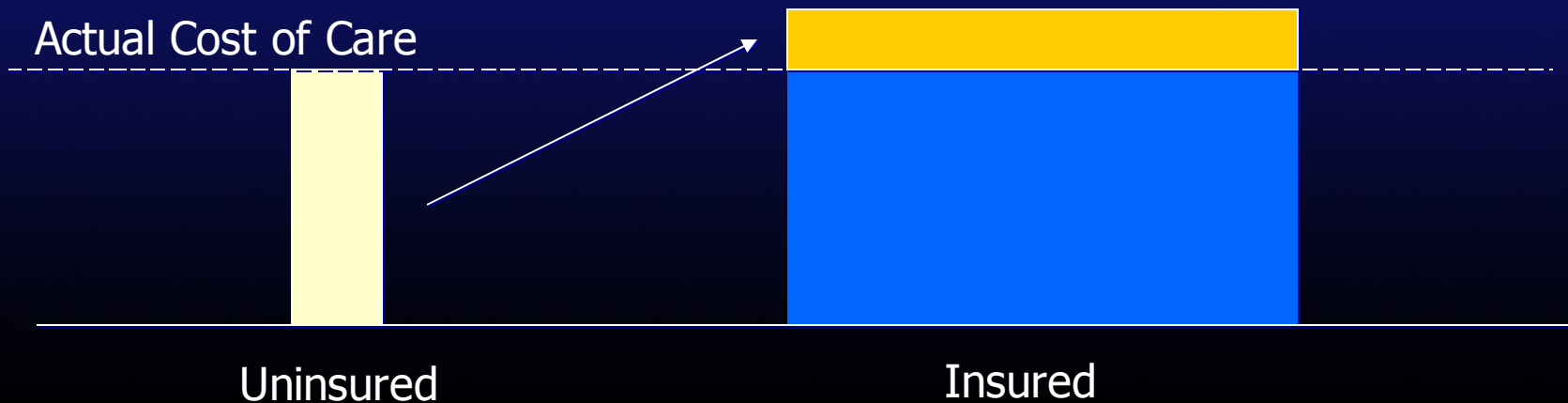
Source: World Health Organization, Nolte and McKee,
Rutgers Center for State Health Policy Standardized for age (1998)

Lack of Insurance is Increasing – Even in Good Economic Times

- *47 Million Americans lack health insurance*
- *300,000 to 350,000 Utahans are among them*
- *Lack of insurance has a clear correlation to health and social problems*
- *The cost of caring for the uninsured falls predominantly on those purchasing commercial insurance*

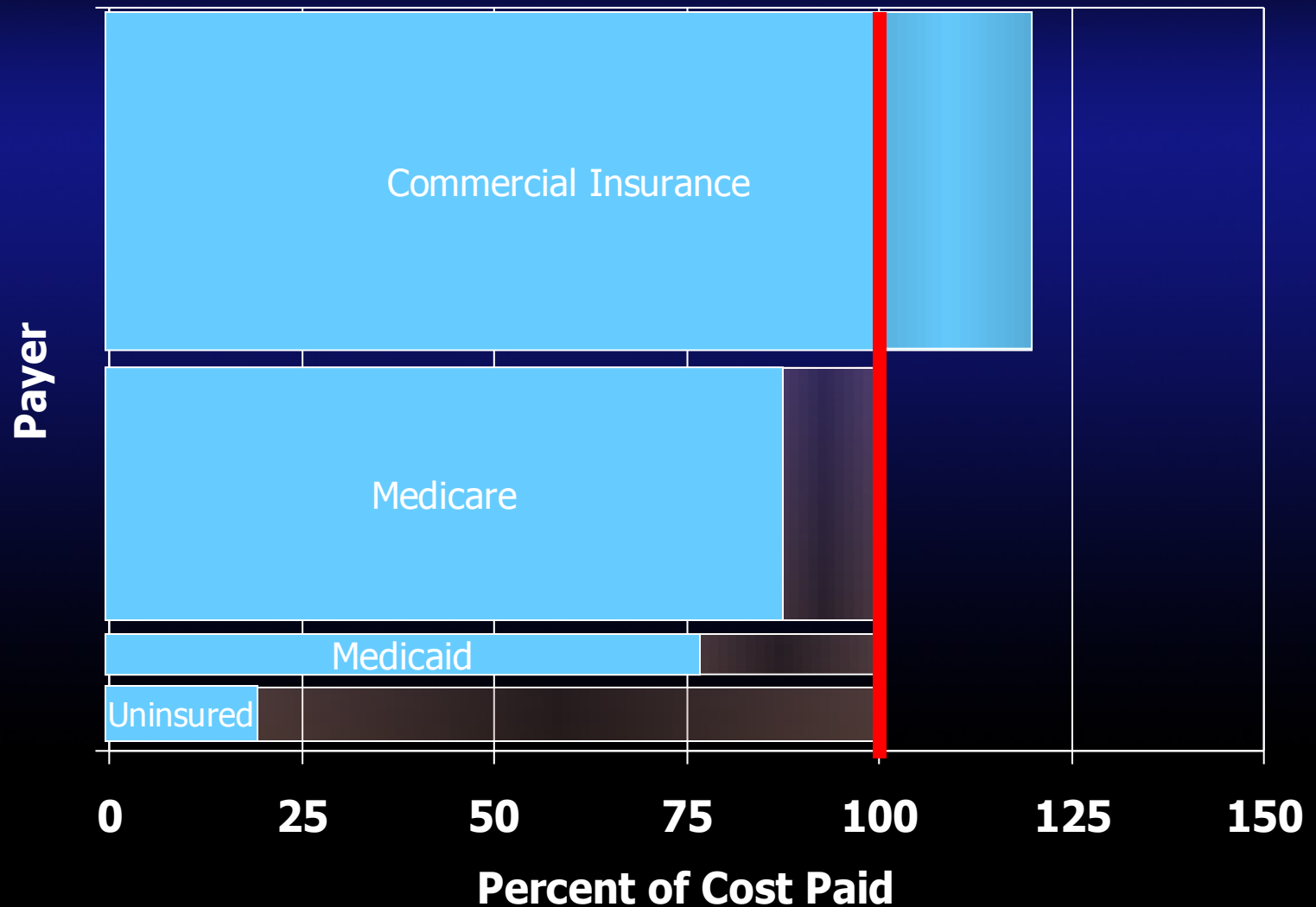
Cost Shifting From Uninsured is an Increasing Hidden Tax On Employers

The effect of the “hidden tax” on insured individuals and employers that offer coverage is rising.



We have “universal healthcare” in the US today, but for those without insurance, we don’t have healthcare that is efficient, either medically or financially.

New Hampshire Example of Cost Shifting





The Boston Globe

“When Massachusetts launched its landmark initiative nearly two years ago, the state could expand coverage to all residents.”

“The Bay State is showing everyone how not to reform health care. - Wall Street Journal, May 21, 2008

of a gap of \$100 million for the first half of the year. The need to secure a new three-year contract with the federal government to pay for half of the soaring cost of the subsidies. Massachusetts is seeking \$1.5 billion, but the Bush administration has been cutting back federal payment to the states.”

March 26, 2008

Wells Fargo Inflation Summary

1988-2006

December 2006

**WELLS
FARGO**

COST OF LIVING INDEX

	Wasatch Front			National			
	Index Mar. 1988=100	% Change 6 Mos.*	(Non-Seas. Adj.) 1 Mo. Prior	Index Mar. 1988=100	% Change 6 Mos.*	(Non-Seas. Adj.) 1 Mo. Prior	(Seas. Adj.) 1 Mo. Prior
All Categories	154.6	-0.1%	0.2%	173.4	2.7%	0.1%	0.5%
Housing	182.8	2.7	0.1	175.6	3.8	0.1	0.4
Transportation	120.2	-11.4	-1.4	163.9	0.8	0.9	1.8
Health Care	157.4	0.1	-0.1	249.5	3.9	0.0	0.1
Food at Home	201.2	3.3	3.1	170.6	1.8	0.0	-0.3
Clothing	113.2	-1.6	0.6	102.9	0.2	-2.5	0.6
Food Away	162.2	0.0	0.0	168.7	3.2	0.3	0.3
Utilities	128.7	-1.0	0.0	175.4	3.1	1.1	1.2
Recreation	139.1**	5.8	0.0	109.8†	1.3	-0.4	-0.3
Education & Comm.	124.6**	5.6	0.0	116.2†	2.5	-0.1	0.2
Other Goods & Svcs.	104.3**	0.0	0.0	243.3	2.6	0.7	0.8

*Last six-month percentage change compared with same period one year ago.

***(Feb. 1998=100 base)

National Data Source: U.S. Bureau of Labor Statistics

†(Dec. 1997=100 base)

Inflation at Intermountain Hospitals

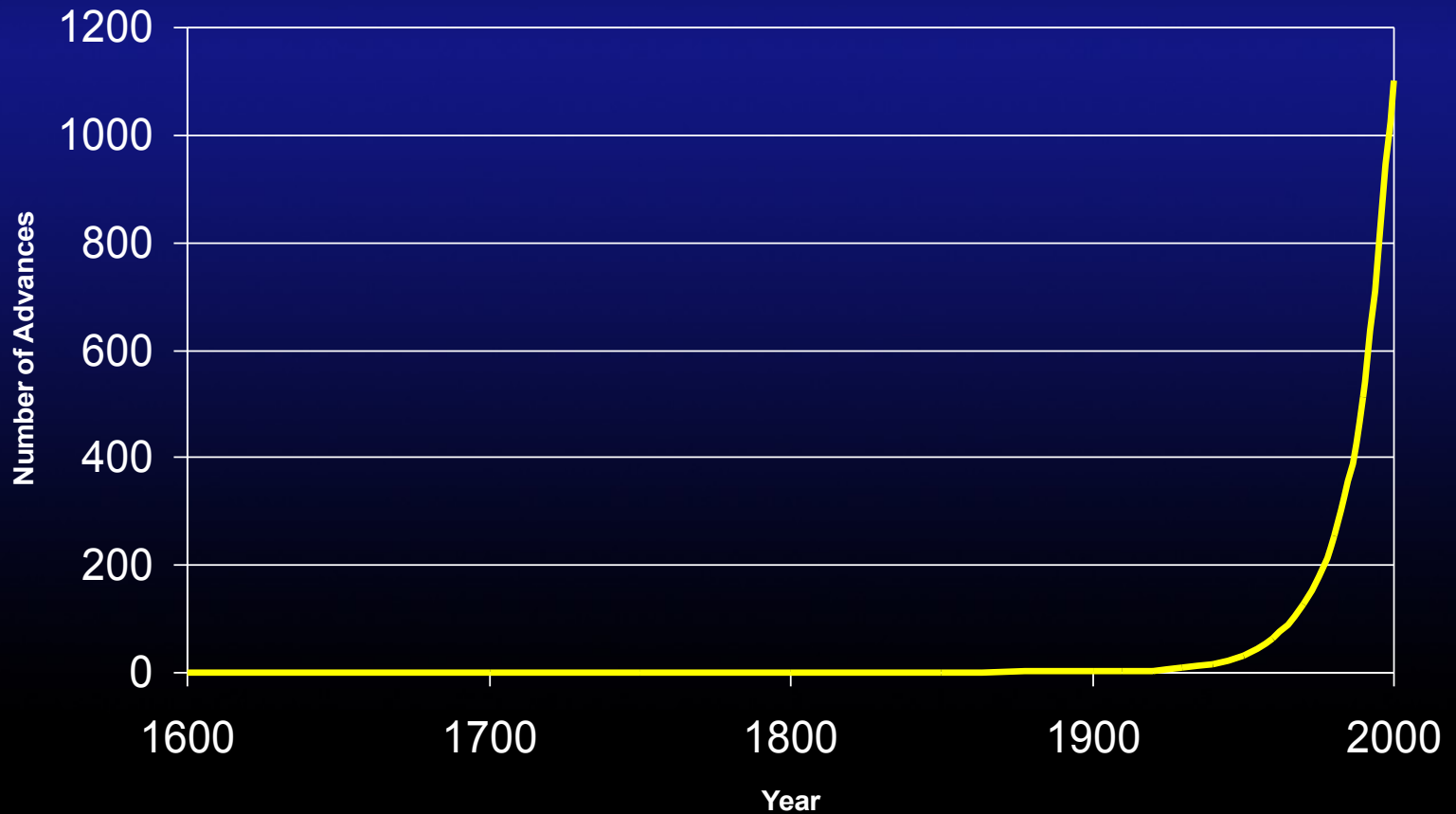
Specific procedure examples, 1992-2007

	<i>1992</i>	<i>2007</i>	<i>Compound Annual Change</i>
<i>Chest X-ray – 2 views</i>	<i>\$88.00</i>	<i>\$125.29</i>	<i>2.4%</i>
<i>CBC without diff</i>	<i>25.55</i>	<i>24.10</i>	<i>0.4%</i>
<i>Blood glucose</i>	<i>24.55</i>	<i>14.60</i>	<i>-3.4%</i>
<i>12-lead EKG tracing</i>	<i>83.30</i>	<i>61.80</i>	<i>-3%</i>
<i>Venipuncture</i>	<i>16.85</i>	<i>41.59</i>	<i>6.2%</i>
<i>PFT-spirometry screening</i>	<i>58.25</i>	<i>45.00</i>	<i>-1.7%</i>

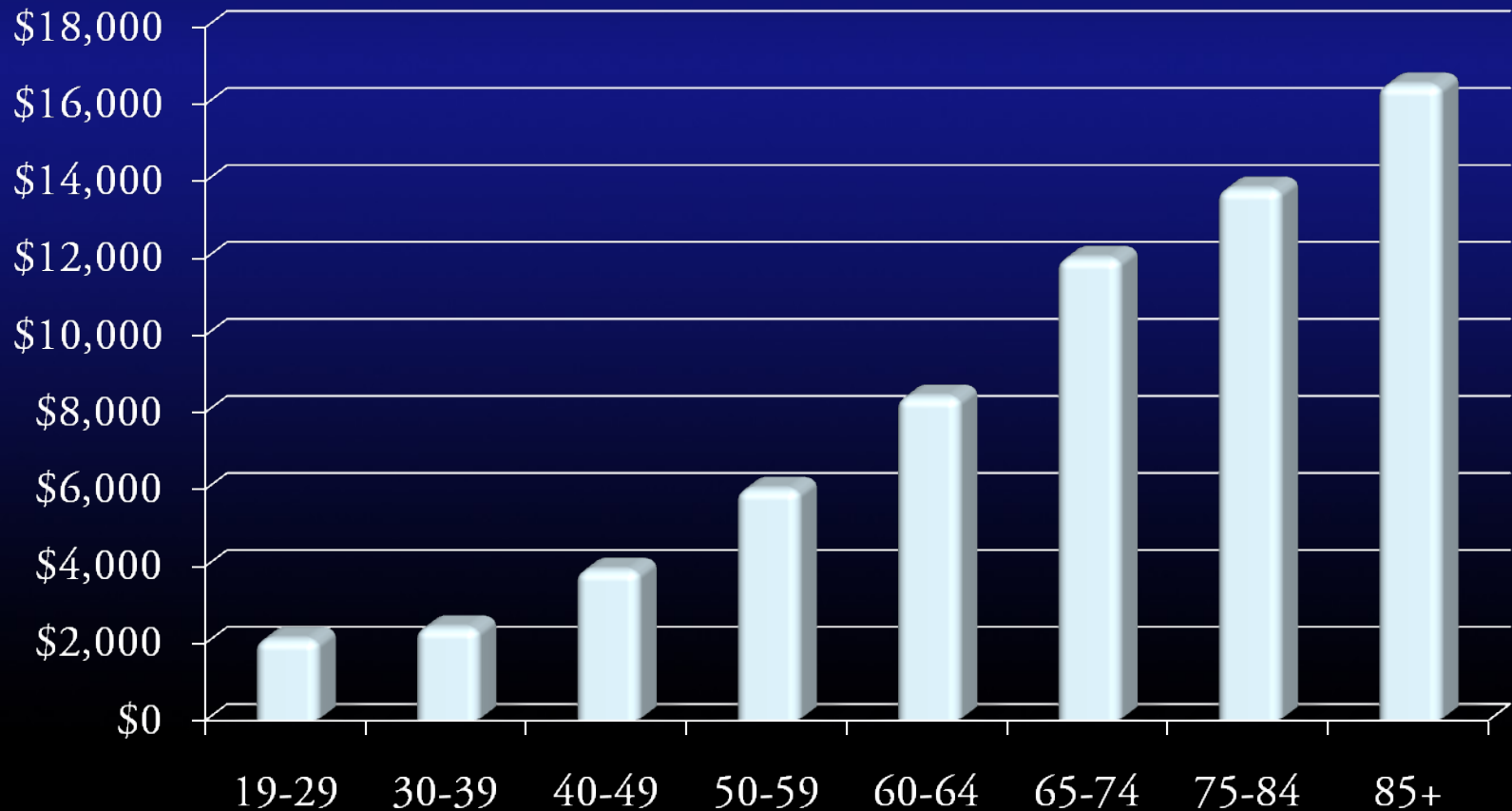
**Compound annual price change (all services):
2.8%**

“Major” Medical Advances Per Year

1600 to 2000

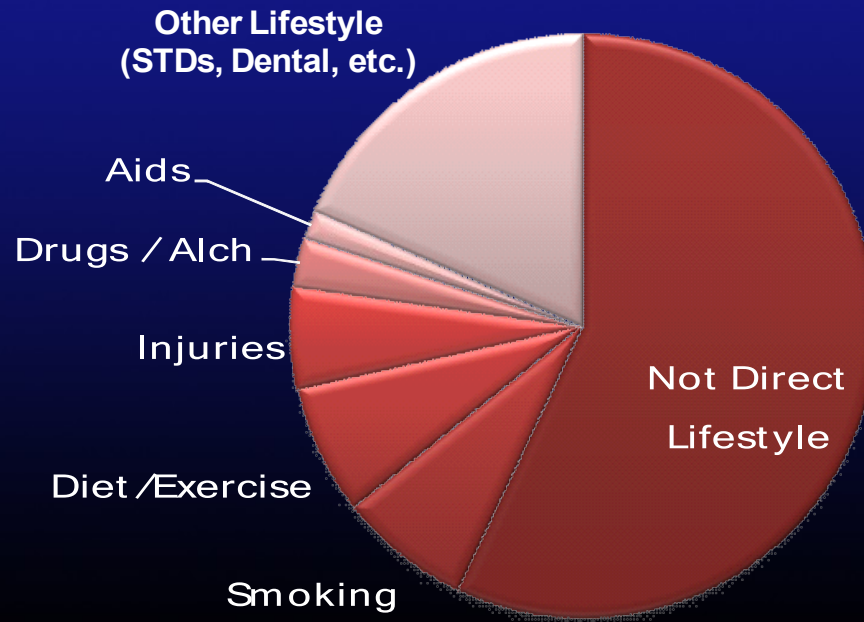


Per Capita Spending Rises Inexorably With Age



Source: National Medical
Expense Survey (2005)

Health Expenses Are Highly Impacted by Lifestyle and Societal Behavior



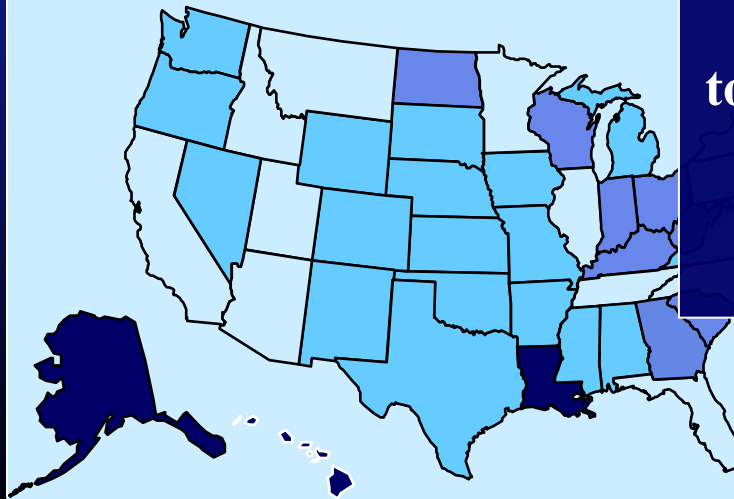
Source: ACMHA, 1990; DHHS, 1991;
HIAA, 1992)

Obesity Trends Among U.S. Adults

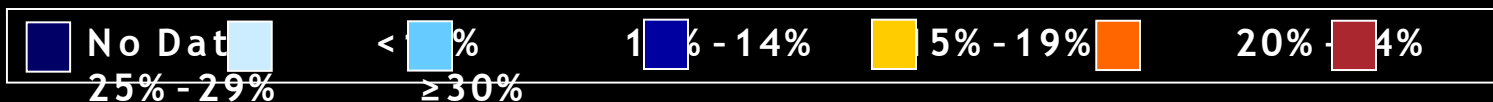
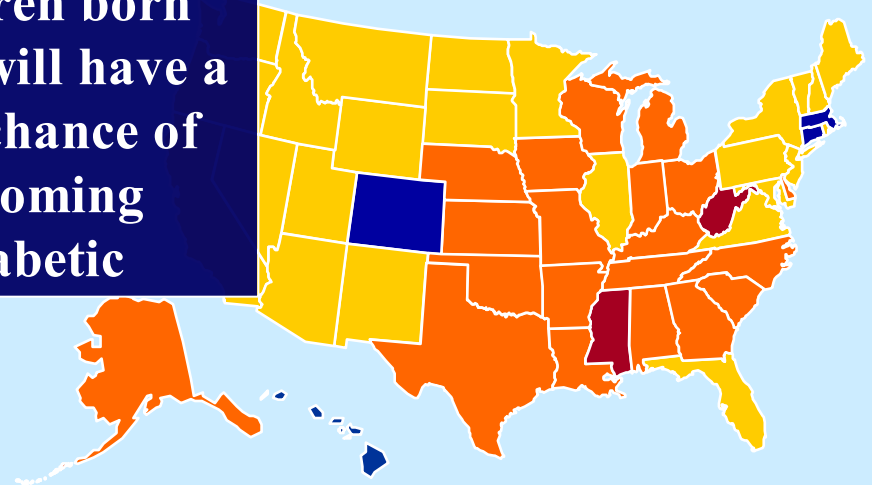
Percent of Population Obese 1985, 2006

If present trends continue, Hispanic children born today will have a 50% chance of becoming diabetic

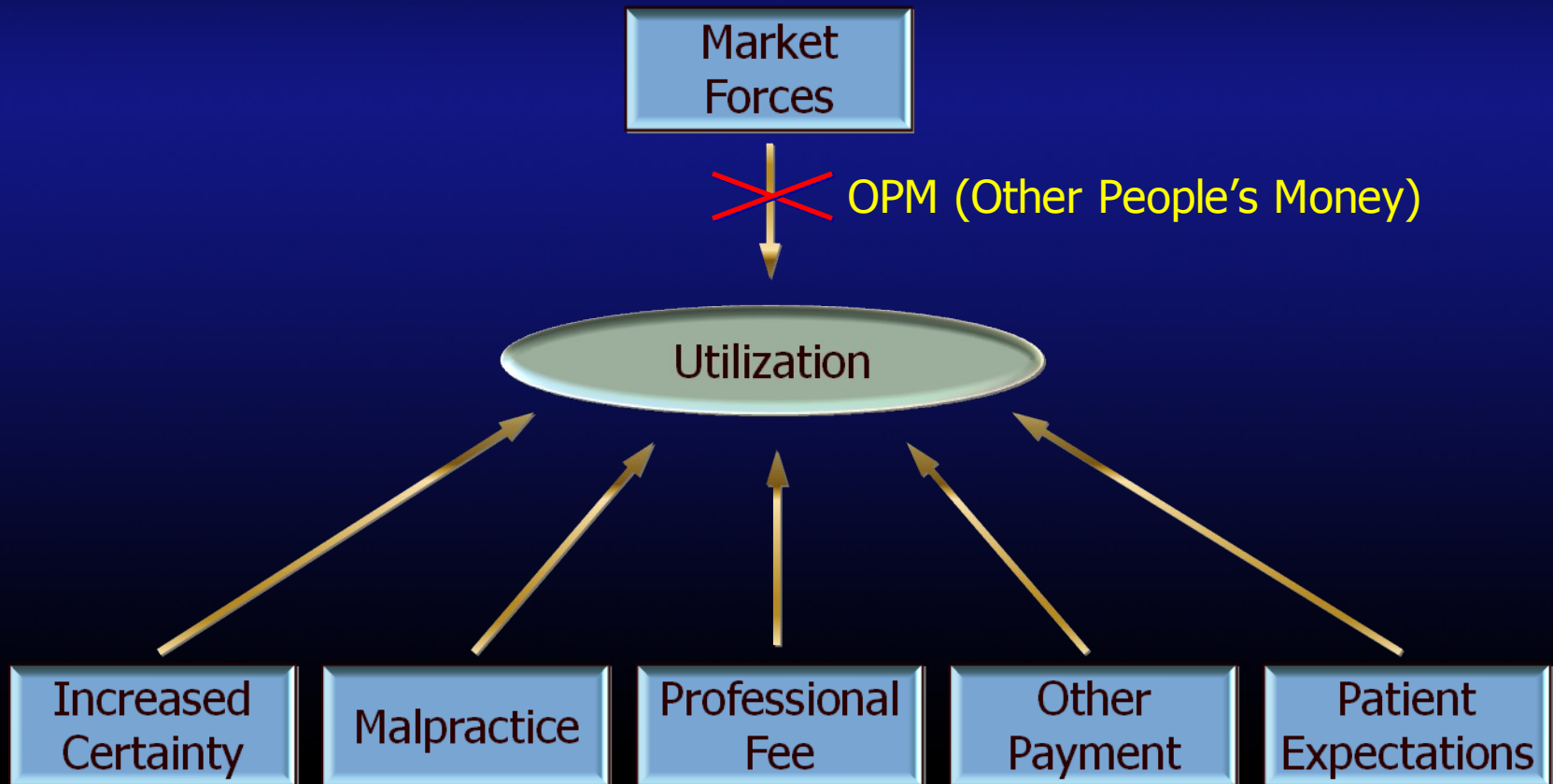
1985



2006



Current Incentives Push Providers to Increase Healthcare Use



“Autocare?”

What if a third party payer bought you a new car - whenever your car dealer recommended it?

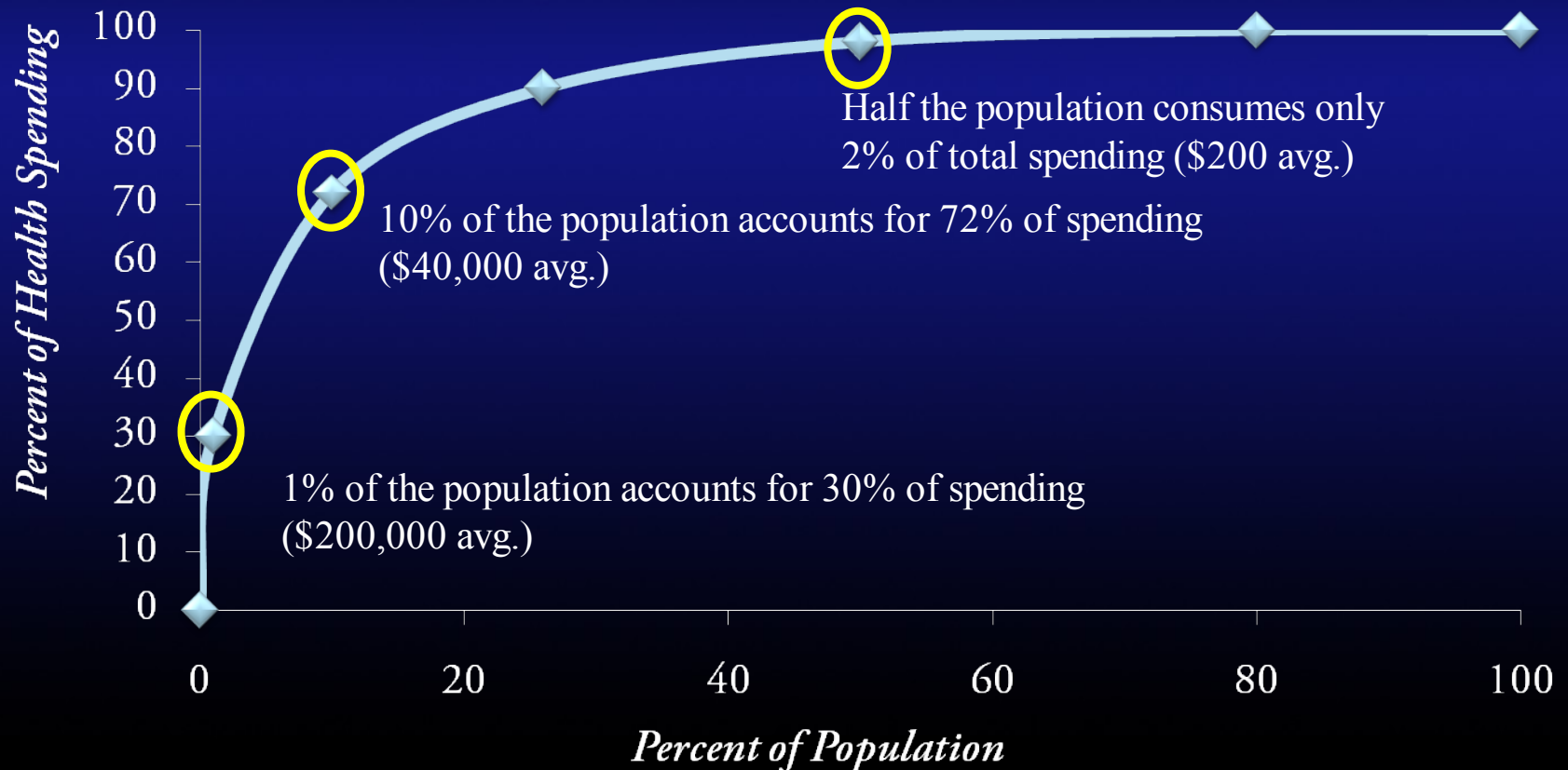
- *What kind of car would you drive?*
- *What kind of car would your dealer recommend?*



High Deductible Plans: The Answer?



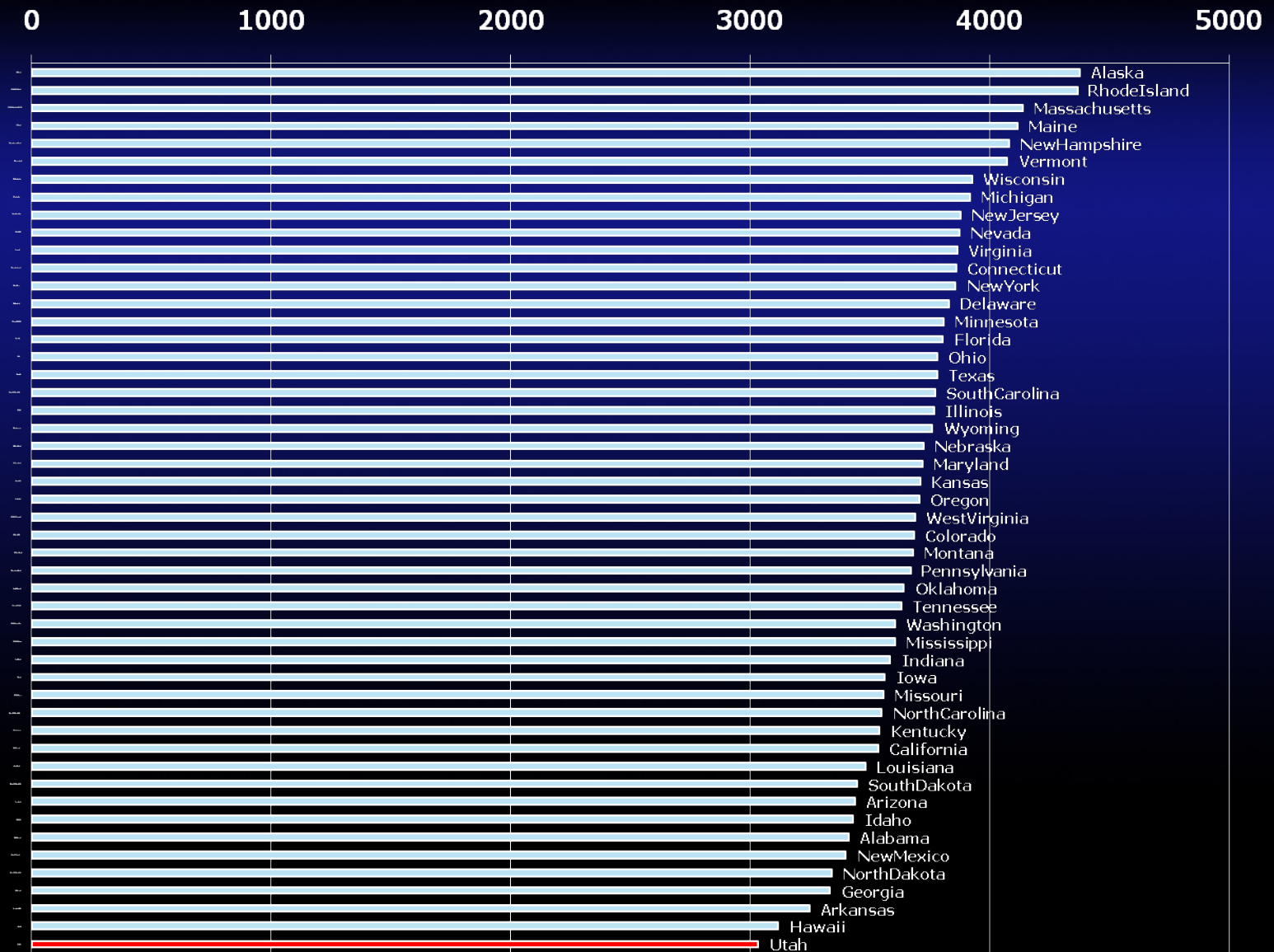
A Relatively Small Portion of the Population Consumes the Majority of Health Expenditures



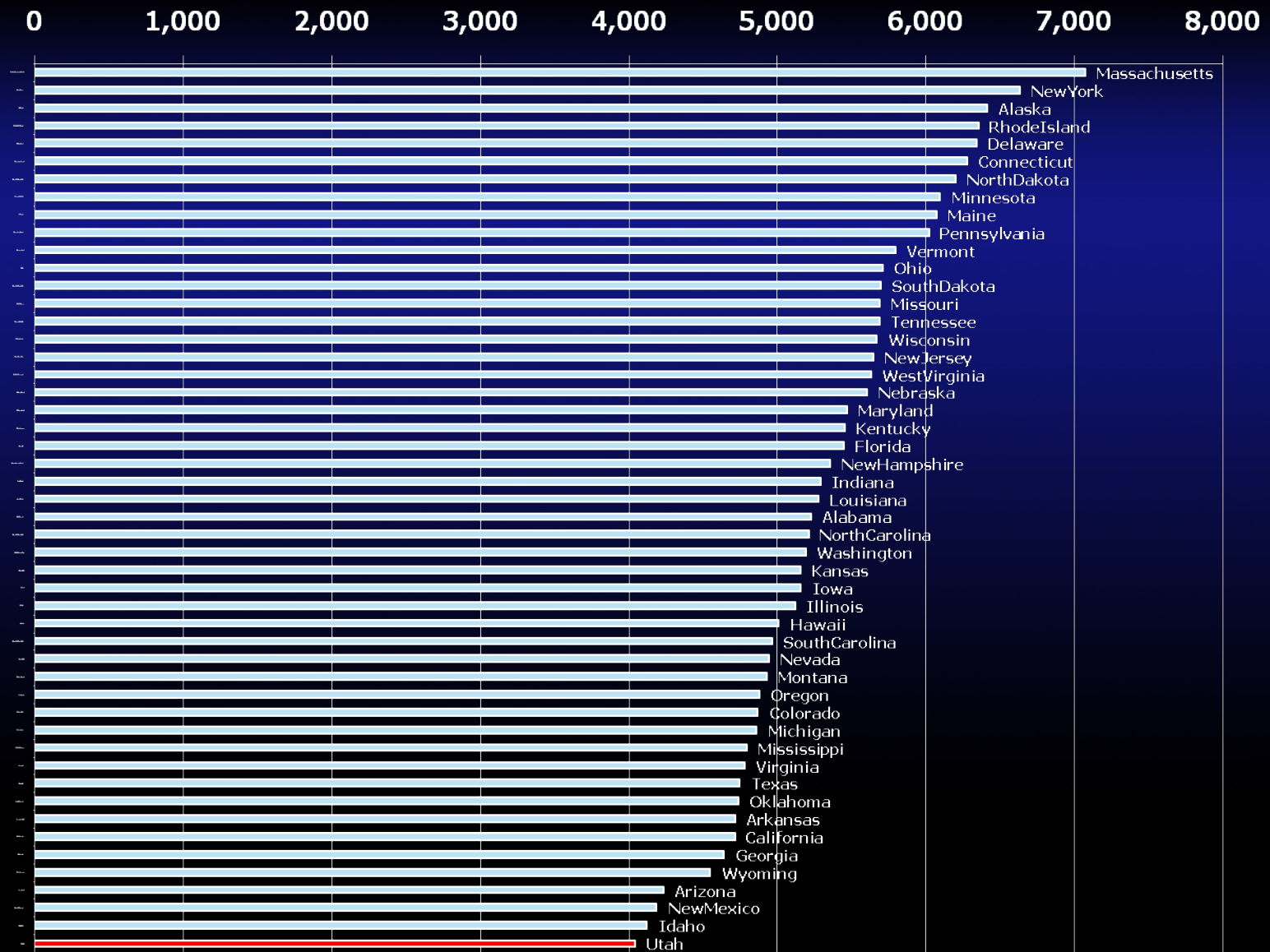
Source: National Medical
Expense Survey (1997)

How is Utah positioned?

Average Individual Insurance Premium



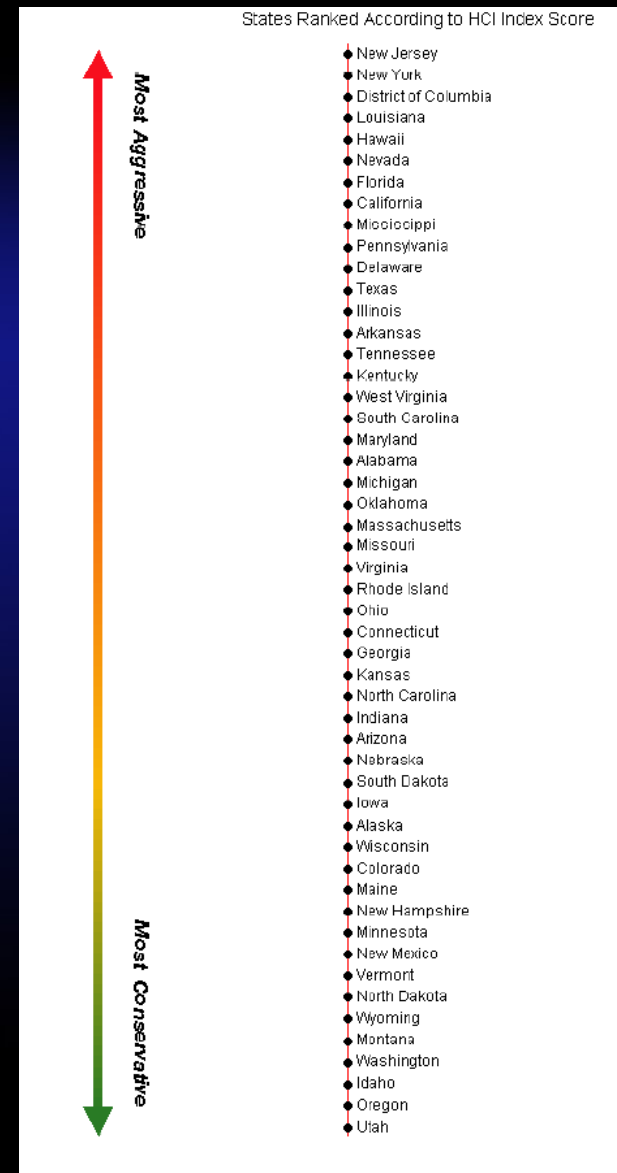
Total Health Cost per Capita



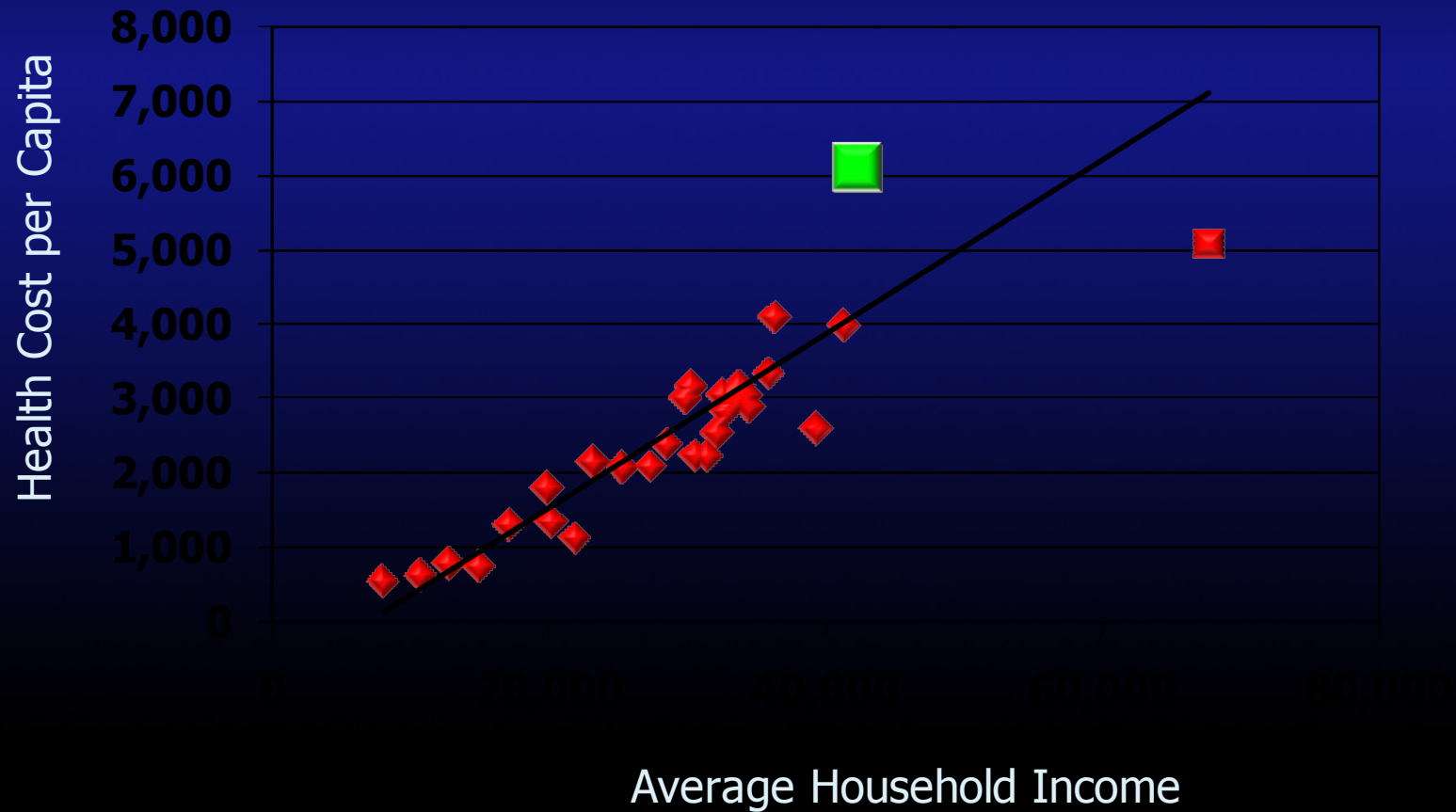
“The best performance in the nation was in Rochester, Minnesota and Salt Lake City, Utah.”

“The Salt Lake City benchmark results in the greatest estimated reduction in acute care hospital spending. If, over the four years of our study, hospital utilization rates had been at the level of Salt Lake City, Medicare spending for inpatient care would have been reduced by 32.4%.”

The Dartmouth Atlas of Healthcare,
2007, 2008



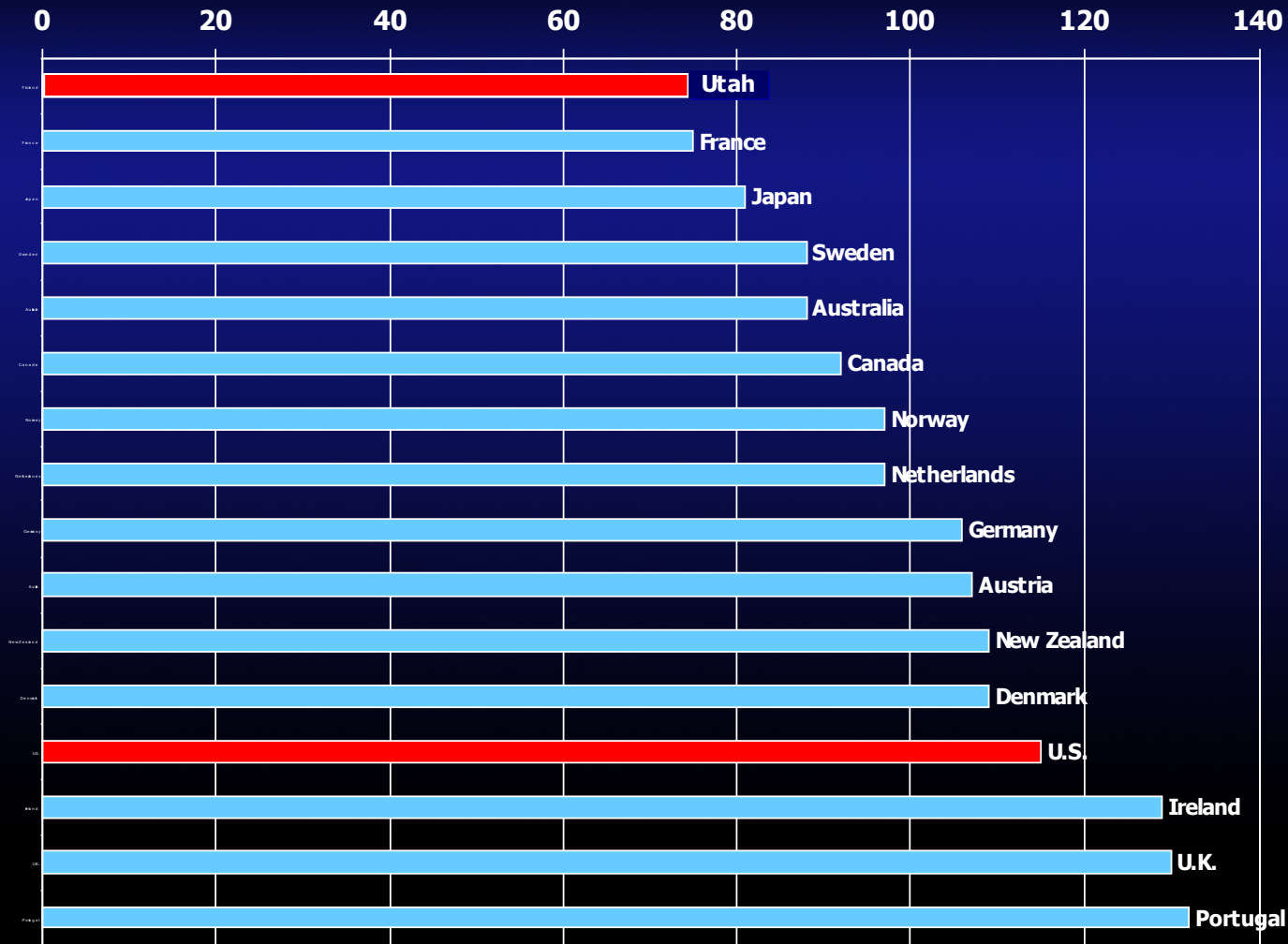
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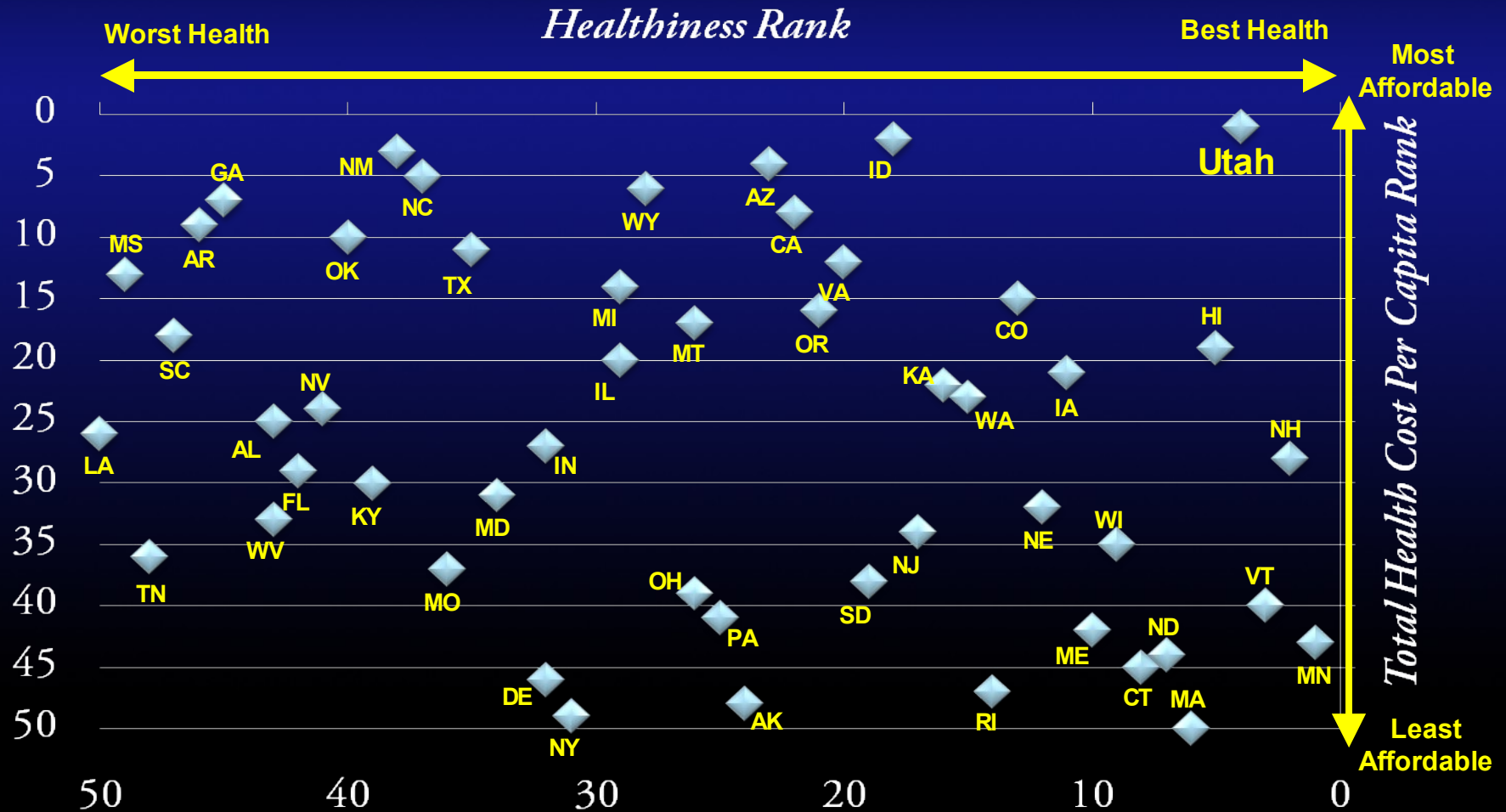
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Rutgers Center for State Health Policy Standardized for age (1998)
Utah from 2003, normalized for general US change from 1998

State Rankings of Healthiness

Compared to Total Health Cost Per Capita Rank



Summary

- The health system requires modification. However, Utah begins from a position of strength that the nation envies, both in terms of current performance, and support of key participants!
- Successful cost enhancement requires alignment of incentives around value.
- The future is bright!